



Consolidated Financial Statements
June 30, 2022 and 2021

Magnolia Educational & Research Foundation

(Operating Magnolia Science Academy #0438,
Magnolia Science Academy 2 #0906,
Magnolia Science Academy 3 #0917,
Magnolia Science Academy 4 #0986,
Magnolia Science Academy 5 #0987,
Magnolia Science Academy 6 #0988,
Magnolia Science Academy 7 #0989,
Magnolia Science Academy Bell #1236,
Magnolia Science Academy Santa Ana #1686, and
Magnolia Science Academy San Diego #0698)



Magnolia Educational & Research Foundation

Table of Contents
June 30, 2022 and 2021

Independent Auditor’s Report	1
Financial Statements	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses.....	6
Consolidated Statement of Cash Flows	7
Notes Consolidated to Financial Statements	8
Supplementary Information	
Consolidated Schedule of Expenditures of Federal Awards	26
Local Education Agency Organization Structure	29
Schedule of Average Daily Attendance.....	31
Schedule of Instructional Time.....	36
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	42
Consolidating Statement of Financial Position	43
Consolidating Statement of Activities	48
Foundation Only Comparative Statement of Financial Position	53
Foundation Only Comparative Statement of Activities	54
Debt Covenants	55
Consolidating Schedule of Property and Equipment.....	56
Notes to Supplementary Information	58
Independent Auditor’s Reports	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	62
Independent Auditor’s Report on State Compliance	65
Schedule of Findings and Questioned Costs	
Summary of Auditor’s Results.....	69
Financial Statement Findings	70
Federal Awards Findings and Questioned Costs	71
State Compliance Findings and Questioned Costs	72
Summary Schedule of Prior Audit Findings.....	73



Independent Auditor's Report

Governing Board
Magnolia Educational & Research Foundation
Los Angeles, California

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Magnolia Educational & Research Foundation (the Organization) (a California Nonprofit Public Benefit Corporation), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Comparative Information

We have previously audited 2021 consolidated financial statements of the Organization, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 25, 2022. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information such as the consolidated schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information on pages 26-59 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated schedule of expenditures of federal awards and other supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 14, 2022

Magnolia Educational & Research Foundation
Consolidated Statement of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 29,396,853	\$ 22,858,187
Receivables	13,717,155	13,703,840
Prepaid expenses	59,413	89,418
Total current assets	43,173,421	36,651,445
Non-current assets		
Security deposit	110,000	110,000
Restricted cash	2,281,161	2,282,261
Property and equipment, net	52,199,330	52,781,413
Total non-current assets	54,590,491	55,173,674
Total assets	\$ 97,763,912	\$ 91,825,119
Liabilities		
Current liabilities		
Accounts payable	\$ 6,235,358	\$ 4,756,639
Accrued compensated absences	637,430	498,038
Interest payable	50,443	52,025
Refundable advance	3,853,442	2,562,674
Current portion of notes payable	109,583	104,583
Current portion of bonds payable	720,000	685,000
Current portion of revolving loan	242,040	237,272
Total current liabilities	11,848,296	8,896,231
Long-term liabilities		
Notes payable, less current portion	3,774,168	3,883,751
Bonds payable, less current portion and net of unamortized bond issuance costs	27,120,454	27,801,561
Revolving loan, less current portion	7,324,420	7,566,760
Total long-term liabilities	38,219,042	39,252,072
Total liabilities	50,067,338	48,148,303
Net Assets		
Without donor restrictions	47,696,574	43,676,816
Total liabilities and net assets	\$ 97,763,912	\$ 91,825,119

Magnolia Educational & Research Foundation

Consolidated Statement of Activities
Year Ended June 30, 2022 and 2021

	2022	2021
Support and Revenues		
Local Control Funding Formula	\$ 42,193,195	\$ 41,352,580
Federal revenue	13,322,665	7,307,706
Other state revenue	9,930,146	9,080,047
PPP loan forgiveness revenue	-	5,461,600
Local revenues	577,511	373,024
Interest income	35,200	34,748
Fundraising revenue	172,999	-
Total support and revenues	66,231,716	63,609,705
Expenses		
Program services	44,379,556	33,869,275
Management and general	17,832,402	16,985,345
Total expenses	62,211,958	50,854,620
Change in Net Assets	4,019,758	12,755,085
Net Assets, Beginning of Year	43,676,816	30,921,731
Net Assets, End of Year	\$ 47,696,574	\$ 43,676,816

Magnolia Educational & Research Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Management and General	Total Expenses
Salaries	\$ 22,385,387	\$ 9,294,958	\$ 31,680,345
Employee benefits	3,993,242	81,649	4,074,891
Payroll taxes	6,362,068	1,735,088	8,097,156
Fees for services	-	3,178,461	3,178,461
Advertising and promotions	-	152,665	152,665
Office expenses	557,061	354,246	911,307
Information technology	250,896	-	250,896
Occupancy	1,958,848	1,601,613	3,560,461
Travel	-	24,686	24,686
Conferences and meeting	-	3,881	3,881
Interest	2,150,089	-	2,150,089
Depreciation and amortization	2,385,186	-	2,385,186
Insurance	-	575,394	575,394
Other expenses	1,114,925	829,761	1,944,686
Capital outlay	973,046	-	973,046
Special education	1,175,883	-	1,175,883
Instructional materials	517,579	-	517,579
Nutrition	154,165	-	154,165
District oversight fees	401,181	-	401,181
	<u>\$ 44,379,556</u>	<u>\$ 17,832,402</u>	<u>\$ 62,211,958</u>
Total functional expenses			

Magnolia Educational & Research Foundation

Consolidated Statement of Cash Flows
Year Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 4,019,758	\$ 12,755,085
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation expense	2,346,293	1,897,617
Interest expense attributable to the amortization of bond issuance costs	38,893	26,080
Changes in operating assets and liabilities		
Receivables	(13,315)	(7,233,488)
Prepaid expenses	30,005	30,367
Security deposits	-	(110,000)
Accounts payable	1,478,722	(3,378,750)
Accrued compensated absences	139,392	498,038
Interest payable	(1,582)	(1,550)
Refundable advance	1,290,768	2,116,021
Refundable advance - PPP	-	(5,461,600)
Net Cash from (used for) Operating Activities	9,328,934	1,137,820
Investing Activities		
Purchases of property and equipment	(1,764,213)	(2,020,541)
Financing Activities		
Principal payments on notes	(104,583)	(98,054)
Principal payments on bonds	(685,000)	(655,000)
Principal payments on revolving loan	(237,572)	(386,348)
Net Cash from (used for) Financing Activities	(1,027,155)	(1,139,402)
Net Change in Cash, Cash Equivalents, and Restricted Cash	6,537,566	(2,022,123)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	25,140,448	27,162,571
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 31,678,014	\$ 25,140,448
Cash and cash equivalents	\$ 29,396,853	\$ 22,858,187
Cash restricted to Series 2014A and 2017A Bond Reserve Fund	2,281,161	2,282,261
Total Cash, Cash Equivalents, and Restricted Cash	\$ 31,678,014	\$ 25,140,448
Supplemental Cash Flow Disclosure		
Cash paid during the period in interest	\$ 2,151,671	\$ 2,236,579

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Magnolia Educational & Research Foundation (the Organization) is a California not-for-profit organization. During the fiscal year ended June 30, 2022, The organization operated ten charter schools currently serves approximately 3,708 students in grades kindergarten through twelve throughout California. The Organization dedicated to inspiring students to choose career paths in science, technology, engineering, and math (STEM), while providing a robust, standards-based education program within a supportive culture of excellence.

To ensure students have the tools to succeed, the Organization offer the following programs, which are mostly free of charge:

- Academic programs
- Student support programs
- After school programs
- Parent involvement programs

The Organization operate under the approval of the California State Board of Education, Los Angeles County Office of Education, Los Angeles Unified School District and San Diego Unified School District. Each school receives public per-pupil funding from the State of California, in addition to grants from various government sources.

Magnolia Science Academy

Charter school number authorized by the State: 0438

Magnolia Science Academy (MSA) was approved by the State of California Department of Education in 2002, and is located in Reseda, California. MSA opened on September 3, 2002, and currently serves approximately 742 students in grades six through twelve. MSA was granted an extension by Los Angeles County Office of Education through June 30, 2024. MSA receives public per-pupil funding to help support their operations and is economically dependent on Federal and State funding.

Magnolia Science Academy 2

Charter school number authorized by the State: 0906

Magnolia Science Academy 2 (MSA 2) was approved by the State of California Department of Education in 2007, and is located in Lake Balboa, California. MSA 2 opened on September 5, 2007, and currently serves approximately 504 students in grades six through twelve. MSA 2 was granted an extension by Los Angeles County Office of Education through June 30, 2024. MSA 2 receives public per-pupil funding to help support their operations and is economically dependent on Federal and State funding.

Magnolia Science Academy 3

Charter school number authorized by the State: 0917

Magnolia Science Academy 3 (MSA 3) was approved by the State of California Department of Education in 2007, and is located in Carson, California. MSA 3 opened on September 5, 2007, and currently serves approximately 417 students in grades six through twelve. MSA 3 was granted an extension by Los Angeles County Office of Education through June 30, 2024. MSA 3 receives public per-pupil funding to help support their operations and is economically dependent on Federal and State funding.

Magnolia Science Academy 4

Charter school number authorized by the State: 0986

Magnolia Science Academy 4 (MSA 4) was approved by the State of California Department of Education in 2008, and is located in Los Angeles, California. MSA 4 opened on September 3, 2008, and currently serves approximately 109 students in grades nine through twelve. MSA 4 was granted an extension by Los Angeles Unified School District through June 30, 2025. MSA 4 receives public per-pupil funding to help support their operations and is economically dependent on Federal and State funding.

Magnolia Science Academy 5

Charter school number authorized by the State: 0987

Magnolia Science Academy 5 (MSA 5) was approved by the State of California Department of Education in 2008, and is located in Reseda, California. MSA 5 opened on September 3, 2008, and currently serves approximately 247 students in grades six through twelve. MSA 5 was granted an extension by Los Angeles County Office of Education through June 30, 2025. MSA 5 receives public per-pupil funding to help support their operations and is economically dependent on Federal and State funding.

Magnolia Science Academy 6

Charter school number authorized by the State: 0988

Magnolia Science Academy 6 (MSA 6) was approved by the State of California Department of Education in 2009, and is located in Los Angeles, California. MSA 6 opened on September 9, 2009, and currently serves approximately 83 students in grades six through eight. MSA 6 was granted an extension by Los Angeles Unified School District through June 30, 2026. MSA 6 receives public per-pupil funding to help support their operations and is economically dependent on Federal and State funding.

Magnolia Science Academy 7

Charter school number authorized by the State: 0989

Magnolia Science Academy 7 (MSA 7) was approved by the State of California Department of Education in 2010, and is located in Northridge, California. MSA 7 opened on September 13, 2010, and currently serves approximately 280 students in grades kindergarten through five. MSA 7 was granted an extension by Los Angeles Unified School District through June 30, 2026. MSA 7 receives public per-pupil funding to help support their operations and is economically dependent on Federal and State funding.

Magnolia Science Academy Bell

Charter school number authorized by the State: 1236

Magnolia Science Academy Bell (MSA Bell) was approved by the State of California Department of Education in 2010, and is located in Bell, California. MSA Bell opened on September 10, 2010, and currently serves approximately 392 students in grades six through eight. MSA Bell was granted an extension by Los Angeles Unified School District through June 30, 2027. MSA Bell receives public per-pupil funding to help support their operations and is economically dependent on Federal and State funding.

Magnolia Science Academy Santa Ana

Charter school number authorized by the State: 1686

Magnolia Science Academy Santa Ana (MSA Santa Ana) was approved by the State of California Department of Education in 2014, and is located in Santa Ana, California. MSA Santa Ana opened on August 1, 2014 and currently serves approximately 513 students in grades kindergarten through twelve. MSA Santa Ana was granted an extension by California Department of Education through June 30, 2026. MSA Santa Ana receives public per-pupil funding to help support their operations and is economically dependent on Federal and State funding.

Magnolia Science Academy San Diego

Charter school number authorized by the State: 0698

Magnolia Science Academy San Diego (MSA San Diego) was approved by the State of California Department of Education in 2005, and is located in San Diego, California. MSA San Diego opened on September 6, 2005 and currently serves approximately 421 students in grades six through eight. MSA San Diego was granted an extension by San Diego Unified School District through June 30, 2027. MSA San Diego receives public per-pupil funding to help support their operations and is economically dependent on Federal and State funding.

Other Related Entity

Magnolia Properties Management, Inc. (MPM Inc.)

On January 12, 2012, MPM Inc., a separate 501(c)(3) nonprofit public benefit corporation, was formed for the primary purposes to facilitate the development of charter schools. Additional purposes are to lease, to own, manage and operate an educational institution, to provide charter school facilities and operational and other support to charter schools, to assist philanthropists and foundations in accelerating the growth of high quality charter schools, and to provide and otherwise obtain or assist in obtaining charter school financing. MPM Inc. was formed and is operated exclusively for the benefit of, to perform the functions of, and to carry out the purposes of the Organization.

MPM Sherman Way, LLC

The Organization formed the MPM Sherman Way, LLC exclusively for the acquisition of property and assets of the Organization, for charitable purposes as specified in Section 501(c)(3) of the Internal Revenue Service. The MSA makes lease payments to the LLC, in accordance with the lease agreement specifically for the MSA Reseda Project. Accordingly, the financial activities of the LLC have been included in the consolidated financial statements of the Organization. MPM Inc. is the sole member of the LLC.

MPM Santa Ana, LLC

The Organization formed the MPM Santa Ana, LLC exclusively for the acquisition of property and assets of the Organization, for charitable purposes as specified in Section 501(c)(3) of the Internal Revenue Service. MSA Santa Ana makes lease payments to the LLC, in accordance with the lease agreement specifically for the MSA Santa Ana Project. Accordingly, the financial activities of the LLC have been included in the consolidated financial statements of the Organization. MPM Inc. is the sole member of the LLC.

MPM San Diego, LLC

The Organization formed the MPM San Diego, LLC exclusively for the acquisition of property and assets of the Organization, for charitable purposes as specified in Section 501(c)(3) of the Internal Revenue Service. The MSA San Diego makes lease payments to the LLC, in accordance with the lease agreement specifically for the MSA San Diego Project. Accordingly, the financial activities of the LLC have been included in the consolidated financial statements of the Organization. MPM Inc. is the sole member of the LLC.

MPM Sherman Winnetka, LLC

The Organization formed the MPM Sherman Winnetka, LLC exclusively for the acquisition of property and assets of the Organization, for charitable purposes as specified in Section 501(c)(3) of the Internal Revenue Service. Accordingly, the financial activities of the LLC have been included in the consolidated financial statements of the Organization. MPM Inc. is the sole member of the LLC.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and the Subsidiaries, of which include MSA, MSA 2, MSA 3, MSA 4, MSA 5, MSA 6, MSA 7, MSA Bell, MSA Santa Ana, MSA San Diego, MPM, Inc., MPM Sherman Way, LLC, MPM Santa Ana, LLC, and MPM San Diego, LLC. All significant intra-entity accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Organization.

Comparative Financial Information

The accompanying consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's audited consolidated financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Basis of Accounting

The accompanying consolidated financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Revenues are recognized as discussed below, and expenditures are recognized in the accounting period in which the liability is incurred.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The Governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization did not have net assets with donor restrictions for the year ended June 30, 2022.

Cash and Cash Equivalents

The Organization considers all cash including cash in County Investment Pool and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to bond reserve funds or other long-term purposes are excluded from this definition.

Restricted Cash

Non-current restricted cash in the amount of \$2,281,161 relates to the debt service reserve requirements related to the Charter School Revenue Bonds and is held as non-current to satisfy the long-term obligation.

Receivables and Credit Policies

Receivables consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. No allowance for doubtful accounts has been established, as the Organization deems all amounts to be fully collectible. Substantially all outstanding receivables as of June 30, 2022 are due from state and/or federal sources related to grant contributions and are expected to be collected within a period of less than one year.

Intra-Entity Transactions

Intra-entity transactions results from a net cumulative difference between resources provided by the home office account to each charter school and reimbursement for those resources from each charter school to the home office account. Intra-entity transfers include certain costs of shared liabilities and shared assets between the Organization.

Capital Contribution

MSA invested \$161,923 in a capital contribution to the MPM Sherman Way, LLC as an investment for the building improvement located at 18238 Sherman Way in the city of Reseda, CA 91335 for its campus location.

MSA Santa Ana invested \$75,554 in a capital contribution to the MPM Santa Ana, LLC as an investment for the building improvement located at 2840 West 1st Street in the city of Santa Ana, CA 92703 for its campus location.

MSA San Diego invested \$198,191 in a capital contribution to the MPM San Diego, LLC as an investment for the building improvement located at 6525 Estrella Avenue in the city of San Diego, CA 92120 for its campus location.

Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

Revenue and Revenue Recognition

Revenue is recognized when earned. Operating funds for the Organization are derived principally from state and federal sources. The Organization receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. Contributions are recognized when cash or notification of an entitlement is received.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. Consequently, at June 30, 2022, conditional contributions approximating \$3,853,442, for which no amounts had been received in advance, have not been recognized in the accompanying consolidated financial statements.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which is a reasonable approximation of the effective interest method. Debt issuance costs are included within bonds payable in the consolidated statement of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2022.

Functional Allocation of Expenses

The consolidated financial statements report categories of expenses that are attributed to program service activities or supporting services activities such as management and general activities and fundraising and development activities. The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates. The expenses that are allocated include salaries, employee benefits, payroll taxes, office expenses, occupancy, and other expenses, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the Organization's mission.

Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its consolidated statement of financial position for all operating leases greater than 12 months. Although the full impact of this update on the Organization's consolidated financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its consolidated statement of financial position relating to facility and other leases currently being accounted for as operating leases. The ASU is effective for the Organization for the year ended June 30, 2023. Management is evaluating the impact of the adoption of this standard.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 29,396,853	\$ 22,858,187
Accounts receivable	13,717,155	13,703,840
 Total	 <u>\$ 43,114,008</u>	 <u>\$ 36,562,027</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 3 - Property and Equipment

Property and equipment consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 2,566,854	\$ 2,566,854
Leasehold improvements	3,545,828	3,469,347
Building	49,276,682	49,271,682
Computer and equipment	6,315,230	5,300,434
Work in progress	668,926	990
 Total property and equipment	 62,373,520	 60,609,307
 Less accumulated depreciation	 <u>(10,174,190)</u>	 <u>(7,827,894)</u>
 Total	 <u>\$ 52,199,330</u>	 <u>\$ 52,781,413</u>

Note 4 - Notes Payable

Notes payable consist of the following at June 30, 2022:

Note payable, due in monthly installments of \$42,708, principal and interest at 10%, collateralized by the Magnolia Science Academy Santa Ana school facility with a carrying value of \$11,389,575; maturing July 1, 2044.

\$ 3,883,751

Future maturities of notes payable are as follows:

Year Ending June 30,	Principal
2023	\$ 109,583
2024	114,583
2025	119,583
2026	129,167
2027	134,583
Thereafter	3,276,252
Total	\$ 3,883,751

Note 5 - Bonds Payable**Charter School Facilities Revenue Bonds, Series 2014A and 2014B**

On June 26, 2014, the Organization issued \$6,020,000 in uncollateralized Charter School Facilities Revenue Bonds. The bonds mature on July 1, 2044, with interest rate ranging from 5.25 to 7.00 percent. Unamortized bonds issuance costs are amortized an effective interest rate of 5.25 percent. Proceeds of the bonds will be used for based on acquisition, construction renovation, improving, and equipping certain educational facilities. The bonds require the Organization to comply with certain financial and non-financial covenants.

\$ 5,380,000

Charter School Facilities Revenue Bonds, Series 2017A

On September 6, 2017, the Organization issued \$25,000,000 in uncollateralized Charter School Facilities Revenue Bonds. The bonds mature on July 1, 2044, with interest rate of 5.25 percent. Unamortized bonds issuance costs are amortized based on an effective interest rate of 5.25 percent. Proceeds of the bonds will be used for based on acquisition, construction renovation, improving, and equipping certain educational facilities. The bonds require the Organization to comply with certain financial and non-financial covenants.

23,355,000

Subtotal outstanding bonds

28,735,000

Bond issuance costs on Charter School Facilities Revenue Bonds,
Series 2014A and 2014B

(294,713)

Bond issuance costs on Charter School Facilities Revenue Bonds,
Series 2017A

(899,833)

Subtotal debt issuance costs on bonds

(894,546)

Total

\$ 27,840,454

Future maturities of bonds payable are as follows:

Year Ending June 30,	Principal
2023	\$ 720,000
2024	760,000
2025	800,000
2026	845,000
2027	890,000
Thereafter	24,720,000
	28,735,000
Less unamortized debt issuance costs	(894,546)
Total	\$ 27,840,454

Note 6 - Revolving Loan

MSA Santa Ana has been approved by the State of California’s Charter School Facilities Program (CCSFP) for \$17,413,956 for constructing a new facility, which will cost the same amount. The State will fund 50% of the total amount of \$17,413,956; the State will fund 50% of the total project cost through a loan in the amount of \$8,706,990 and the other 50% through a grant in the amount of \$8,706,978. The loan has an annual interest rate of 3.00% and it matures 30 years after the completion of the project.

The future minimum payments are as follows:

Year Ending June 30,	Principal
2023	\$ 242,040
2024	246,906
2025	251,869
2026	256,931
2027	262,096
Thereafter	6,306,618
Total	\$ 7,566,460

Note 7 - Operating Leases

The Organization entered into a lease agreement with Kajima Development Corporation in which the Organization will occupy for its home office location. The term of this agreement expires on April 30, 2023. Lease expense for the fiscal year ending June 30, 2022 was \$212,360, which is included in occupancy in the statement of functional expenses.

Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2023	\$ 173,800

MSA entered into a lease agreement with MPM Sherman Way, LLC in which the MSA will occupy for its campus location. The term of this agreement expires on July 1, 2044. Lease expense for the fiscal year ending June 30, 2022 was \$1,309,718, which is included in occupancy in the statement of functional expenses.

Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2023	\$ 1,301,956
2024	1,307,132
2025	1,312,540
2026	1,314,576
2027	1,316,546
Thereafter	23,421,019
Total	\$ 29,973,769

MSA San Diego entered into a lease agreement with MPM San Diego, LLC in which the MSA San Diego will occupy for its campus location. The term of this agreement expires on July 1, 2044. Lease expense for the fiscal year ending June 30, 2022 was \$649,130, which is included in occupancy in the statement of functional expenses.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2023	\$ 481,010
2024	482,064
2025	485,876
2026	486,128
2027	489,046
Thereafter	<u>8,860,272</u>
Total	<u>\$ 11,284,396</u>

Note 8 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if the Organization chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Organization has no plans to withdraw from this multi-employer plan.

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The Organization contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The Organization contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, the Organization, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the Organization's total contributions were \$3,480,813.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2022, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 55	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age	1.1% - 2.5%	1.0% - 2.5%
Monthly benefits as a percentage of eligible compensation	7.00%	7.00%
Required employee contribution rate	22.91%	22.91%
Required employer contribution rate		

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Organization is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total Organization's contributions were \$1,145,131.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the Organization. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,369,991 (10.828% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Social Security

Public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) are covered by social security or an alternative plan. The Organization has elected to use the social security as its alternative plan.

Note 9 - Contingencies, Risks, and Uncertainties

The Organization has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

The Organization applied for and received loan forgiveness from the SBA on its PPP loan of \$5,461,600. In accordance with PPP loan requirements, the Organization is required to maintain PPP loan files and certain underlying supporting documents for periods ranging from three to six years. The Organization is also required to permit access to such files upon request by the SBA. Accordingly, there is potential the PPP loan could be subject to further review by the SBA and that previously recognized forgiveness could be reversed based on the outcome of this review.

Note 10 - Subsequent Events

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through December 14, 2022, which is the date the financial statements were issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

Subsequent to the year-end, the Organization borrowed \$24,000,000 in note payable from CLI Capital, a Texas real estate investment trust. Beginning September 1, 2024, the note payable, due in monthly installments, principal and interest at 7.75%, maturing June 1, 2027. The proceeds from the note payable will be used to finance the costs of the acquisition, development, and construction of the 7111 Winnetka Avenue property.



Supplementary Information
June 30, 2022

Magnolia Educational & Research Foundation

Magnolia Educational & Research Foundation
Consolidated Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture Passed Through California Department of Education (CDE) COVID-19: Pandemic EBT Local Administrative Grant	10.649	15644	\$ 5,526
Total U.S. Department of Agriculture			<u>5,526</u>
U.S. Federal Communications Commission COVID-19: Emergency Connectivity Funds	32.009	[1]	<u>1,116,552</u>
Total U.S. Federal Communications Commission			<u>1,116,552</u>
U.S. Department of Education Passed Through CDE Title I Grants to Local Educational Agencies	84.010	14329	<u>1,342,841</u>
Special Education Cluster (IDEA) Special Education Grants to States - Basic Local Assistance	84.027	13379	<u>624,873</u>
Total Special Education Cluster (IDEA)			<u>624,873</u>
State Charter School Facilities Incentive Grant Program	84.282	15385	249,996
English Language Acquisition State Grants - LEP	84.365	14346	93,517
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	171,935
Student Support and Academic Enrichment Program	84.424	15396	123,074

Magnolia Educational & Research Foundation
 Consolidated Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	\$ 328,355
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	3,696,758
COVID-19: ARP Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	79,558
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425D	15559	4,177,019
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund: State Reserve	84.425D	15618	432,631
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund: State Reserve, Emergency Needs	84.425D	15620	174,442
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund: State Reserve, Learning Loss	84.425D	15621	170,534
COVID-19: Governor’s Emergency Education Relief (GEER) Fund	84.425C	15517	128,203
COVID-19: Governor’s Emergency Education Relief II (GEER II) Fund, State Reserve, Emergency Needs	84.425C	15619	<u>99,292</u>
Subtotal			<u>9,286,792</u>
Total U.S. Department of Education			<u>11,893,028</u>

Magnolia Educational & Research Foundation
 Consolidated Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services Passed Through California Department of Health and Human Services Child Care and Development Fund Cluster COVID-19: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	[1]	<u>\$ 307,559</u>
Total U.S. Department of Health and Human Services			<u>307,559</u>
Total Federal Financial Assistance			<u><u>\$ 13,322,665</u></u>

[1] Pass through entity identifying number not available

ORGANIZATION

The Organization operates ten schools in California. Each school is operated on the same tax identification number as the Organization. Charters were granted for each school for up to five years, with an opportunity for renewal. Charters may be revoked by the charter authorizer for material violations of the charter, failure to meet or make progress toward student outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law. As of June 30, 2022, the schools operated by the Organization were as follows:

Charter School Name	Charter Number	Sponsoring District	Charter Expiration	Grades Served	Students Served
Magnolia Science Academy	0438	Los Angeles County Office of Education	June 30, 2024	6 - 12	742
Magnolia Science Academy 2	0906	Los Angeles County Office of Education	June 30, 2024	6 - 12	504
Magnolia Science Academy 3	0917	Los Angeles County Office of Education	June 30, 2024	6 - 12	417
Magnolia Science Academy 4	0986	Los Angeles Unified School District	June 30, 2025	9 - 12	109
Magnolia Science Academy 5	0987	Los Angeles County Office of Education	June 30, 2025	6 - 12	247
Magnolia Science Academy 6	0988	Los Angeles Unified School District	June 30, 2026	6 - 8	83
Magnolia Science Academy 7	0989	Los Angeles Unified School District	June 30, 2026	K - 5	280
Magnolia Science Academy Bell	1236	Los Angeles Unified School District	June 30, 2027	6 - 8	392
Magnolia Science Academy Santa Ana	1686	California Department of Education	June 30, 2026	K - 12	513
Magnolia Science Academy San Diego	0698	San Diego Unified School District	June 30, 2027	6 - 8	421

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Mekan Muhammedov	Chair	No Term Limit
Sandra Covarrubias	Vice Chair	No Term Limit
Umit Yapanel, Ph.D.	Member	No Term Limit
Salih Dikbas, Ph.D.	Member	No Term Limit
Diane Gonzalez	Member	No Term Limit
Daniel Sheehan	Member	No Term Limit
Esra Eldem-Tunc	Member	No Term Limit

ADMINISTRATION

Alfredo Rubalcava	Chief Executive Officer and Superintendent
Steve Budhreja	Chief Financial Officer

Magnolia Educational & Research Foundation
 Schedule of Average Daily Attendance
 Year Ended June 30, 2022

Magnolia Science Academy

	<u>Second Period Report 35B24167</u>	<u>Annual Report 62D53F93</u>
Regular ADA		
Sixth	104.13	103.80
Seventh and eighth	218.71	218.65
Ninth through twelfth	347.59	346.69
Total Regular ADA	670.43	669.14
Classroom Based ADA		
Sixth	102.27	102.04
Seventh and eighth	213.28	213.36
Ninth through twelfth	334.56	333.79
Total Classroom Based ADA	650.11	649.19

Magnolia Science Academy 2

	<u>Second Period Report 509888B1</u>	<u>Annual Report 92C8C8E</u>
Regular ADA		
Sixth	79.63	79.91
Seventh and eighth	186.35	186.05
Ninth through twelfth	196.24	195.72
Total Regular ADA	462.22	461.68
Classroom Based ADA		
Sixth	74.99	75.86
Seventh and eighth	180.16	180.12
Ninth through twelfth	185.10	185.82
Total Classroom Based ADA	440.25	441.80

Magnolia Educational & Research Foundation
 Schedule of Average Daily Attendance
 Year Ended June 30, 2022

Magnolia Science Academy 3

	Second Period Report 3A79F231	Annual Report 7BAFC0B4
Regular ADA		
Sixth	55.74	55.86
Seventh and eighth	94.46	94.40
Ninth through twelfth	204.46	203.78
Total Regular ADA	354.66	354.04
Classroom Based ADA		
Sixth	51.59	52.16
Seventh and eighth	87.83	88.38
Ninth through twelfth	170.47	171.16
Total Classroom Based ADA	309.89	311.70

Magnolia Science Academy 4

	Second Period Report B2C1CD15	Annual Report 99B38529
Regular ADA		
Ninth through twelfth	95.36	95.02
Classroom Based ADA		
Ninth through twelfth	81.20	80.55

Magnolia Educational & Research Foundation
 Schedule of Average Daily Attendance
 Year Ended June 30, 2022

Magnolia Science Academy 5

	<u>Second Period Report 934B913B</u>	<u>Annual Report 1E8B9491</u>
Regular ADA		
Sixth	26.39	26.09
Seventh and eighth	89.15	89.20
Ninth through twelfth	<u>104.54</u>	<u>104.31</u>
Total Regular ADA	<u><u>220.08</u></u>	<u><u>219.60</u></u>
Classroom Based ADA		
Sixth	25.96	25.54
Seventh and eighth	88.01	88.15
Ninth through twelfth	<u>99.51</u>	<u>99.34</u>
Total Classroom Based ADA	<u><u>213.48</u></u>	<u><u>213.03</u></u>

Magnolia Science Academy 6

	<u>Second Period Report D513C6D3</u>	<u>Annual Report A380FC89</u>
Regular ADA		
Sixth	15.85	15.98
Seventh and eighth	<u>61.10</u>	<u>61.63</u>
Total Regular ADA	<u><u>76.95</u></u>	<u><u>77.61</u></u>
Classroom Based ADA		
Sixth	15.79	15.93
Seventh and eighth	<u>59.52</u>	<u>60.17</u>
Total Classroom Based ADA	<u><u>75.31</u></u>	<u><u>76.10</u></u>

Magnolia Educational & Research Foundation
Schedule of Average Daily Attendance
Year Ended June 30, 2022

Magnolia Science Academy 7

	<u>Second Period Report E5EC82D1</u>	<u>Annual Report 45423923</u>
Regular ADA		
Transitional kindergarten through third	167.86	166.95
Fourth through fifth	88.10	87.70
Total regular ADA	255.96	254.65
Classroom Based ADA		
Transitional kindergarten through third	162.93	162.20
Fourth through fifth	84.94	84.58
Total classroom based ADA	247.87	246.78

Magnolia Science Academy Bell

	<u>Second Period Report 8A73F277</u>	<u>Annual Report DD1E1A73</u>
Regular ADA		
Sixth	90.31	90.74
Seventh and eighth	265.55	264.92
Total Regular ADA	355.86	355.66
Classroom Based ADA		
Sixth	84.86	90.74
Seventh and eighth	241.45	264.92
Total Classroom Based ADA	326.31	355.66

Magnolia Educational & Research Foundation
Schedule of Average Daily Attendance
Year Ended June 30, 2022

Magnolia Science Academy Santa Ana

	<u>Second Period Report 911F7D6E</u>	<u>Annual Report 2A62C768</u>
Regular ADA		
Transitional kindergarten through third	123.06	122.65
Fourth through sixth	106.57	106.19
Seventh and eighth	98.24	97.97
Ninth through twelfth	154.88	153.33
Total Regular ADA	482.75	480.14
Classroom Based ADA		
Transitional kindergarten through third	119.55	119.33
Fourth through sixth	103.94	103.95
Seventh and eighth	96.90	96.65
Ninth through twelfth	148.30	146.67
Total Classroom Based ADA	468.69	466.60

Magnolia Science Academy San Diego

	<u>Second Period Report 27077694</u>	<u>Annual Report 9DD49827</u>
Regular ADA		
Sixth	127.13	124.10
Seventh and eighth	264.98	259.51
Total Regular ADA	392.11	383.61
Classroom Based ADA		
Sixth	127.13	124.10
Seventh and eighth	264.98	259.51
Total Classroom Based ADA	392.11	383.61

Magnolia Educational & Research Foundation

Schedule of Instructional Time

Year Ended June 30, 2022

Magnolia Science Academy

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades 6 - 8	54,000								
Grade 6		66,564	-	66,564	185	-	-	185	Complied
Grade 7		66,564	-	66,564	185	-	-	185	Complied
Grade 8		66,564	-	66,564	185	-	-	185	Complied
Grades 9 - 12	64,800								
Grade 9		66,564	-	66,564	185	-	-	185	Complied
Grade 10		66,564	-	66,564	185	-	-	185	Complied
Grade 11		66,564	-	66,564	185	-	-	185	Complied
Grade 12		66,564	-	66,564	185	-	-	185	Complied

Magnolia Science Academy 2

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades 6 - 8	54,000								
Grade 6		64,860	-	64,860	184	-	-	184	Complied
Grade 7		64,860	-	64,860	184	-	-	184	Complied
Grade 8		64,860	-	64,860	184	-	-	184	Complied
Grades 9 - 12	64,800								
Grade 9		64,860	-	64,860	184	-	-	184	Complied
Grade 10		64,860	-	64,860	184	-	-	184	Complied
Grade 11		64,860	-	64,860	184	-	-	184	Complied
Grade 12		64,860	-	64,860	184	-	-	184	Complied

Magnolia Educational & Research Foundation

Schedule of Instructional Time

Year Ended June 30, 2022

Magnolia Science Academy 3

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades 6 - 8	54,000								
Grade 6		67,870	-	67,870	185	-	-	185	Complied
Grade 7		67,870	-	67,870	185	-	-	185	Complied
Grade 8		67,870	-	67,870	185	-	-	185	Complied
Grades 9 - 12	64,800								
Grade 9		67,870	-	67,870	185	-	-	185	Complied
Grade 10		67,870	-	67,870	185	-	-	185	Complied
Grade 11		67,870	-	67,870	185	-	-	185	Complied
Grade 12		67,870	-	67,870	185	-	-	185	Complied

Magnolia Science Academy 4

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades 9 - 12	64,800								
Grade 9		64,800	-	64,800	184	-	-	184	Complied
Grade 10		64,800	-	64,800	184	-	-	184	Complied
Grade 11		64,800	-	64,800	184	-	-	184	Complied
Grade 12		64,800	-	64,800	184	-	-	184	Complied

Magnolia Educational & Research Foundation

Schedule of Instructional Time

Year Ended June 30, 2022

Magnolia Science Academy 5

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades 6 - 8	54,000								
Grade 6		65,100	-	65,100	185	-	-	185	Complied
Grade 7		65,100	-	65,100	185	-	-	185	Complied
Grade 8		65,100	-	65,100	185	-	-	185	Complied
Grades 9 - 12	64,800								
Grade 9		65,100	-	65,100	185	-	-	185	Complied
Grade 10		65,100	-	65,100	185	-	-	185	Complied
Grade 11		65,100	-	65,100	185	-	-	185	Complied
Grade 12		65,100	-	65,100	185	-	-	185	Complied

Magnolia Science Academy 6

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades 6 - 8	54,000								
Grade 6		57,225	-	57,225	184	-	-	184	Complied
Grade 7		57,225	-	57,225	184	-	-	184	Complied
Grade 8		57,225	-	57,225	184	-	-	184	Complied

Magnolia Educational & Research Foundation

Schedule of Instructional Time

Year Ended June 30, 2022

Magnolia Science Academy 7

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Kindergarten	36,000	57,810	-	57,810	185	-	-	185	Complied
Grades 1 - 3	50,400								
Grade 1		57,810	-	57,810	185	-	-	185	Complied
Grade 2		57,810	-	57,810	185	-	-	185	Complied
Grade 3		57,810	-	57,810	185	-	-	185	Complied
Grades 4 - 5	54,000								
Grade 4		57,810	-	57,810	185	-	-	185	Complied
Grade 5		57,810	-	57,810	185	-	-	185	Complied

Magnolia Science Academy Bell

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades 6 - 8	54,000								
Grade 6		61,195	-	61,195	185	-	-	185	Complied
Grade 7		61,195	-	61,195	185	-	-	185	Complied
Grade 8		61,195	-	61,195	185	-	-	185	Complied

Magnolia Educational & Research Foundation

Schedule of Instructional Time

Year Ended June 30, 2022

Magnolia Science Academy Santa Ana

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Kindergarten	36,000	61,345	-	61,345	180	-	-	180	Complied
Grades 1 - 3	50,400								
Grade 1		61,345	-	61,345	180	-	-	180	Complied
Grade 2		61,345	-	61,345	180	-	-	180	Complied
Grade 3		61,345	-	61,345	180	-	-	180	Complied
Grades 6 - 8	54,000								
Grade 4		61,345	-	61,345	180	-	-	180	Complied
Grade 5		61,345	-	61,345	180	-	-	180	Complied
Grade 6		70,462	-	70,462	180	-	-	180	Complied
Grade 7		70,462	-	70,462	180	-	-	180	Complied
Grade 8		70,462	-	70,462	180	-	-	180	Complied
Grades 9 - 12	64,800								
Grade 9		70,462	-	70,462	180	-	-	180	Complied
Grade 10		70,462	-	70,462	180	-	-	180	Complied
Grade 11		70,462	-	70,462	180	-	-	180	Complied
Grade 12		70,462	-	70,462	180	-	-	180	Complied

Magnolia Educational & Research Foundation

Schedule of Instructional Time

Year Ended June 30, 2022

Magnolia Science Academy San Diego

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades 6 - 8	54,000								
Grade 6		60,847	-	60,847	180	-	-	180	Complied
Grade 7		60,847	-	60,847	180	-	-	180	Complied
Grade 8		60,847	-	60,847	180	-	-	180	Complied

Magnolia Educational & Research Foundation
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2022

Summarized below are the net asset reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>MSA</u>	<u>MSA 2</u>	<u>MSA 3</u>	<u>MSA 4</u>	<u>MSA 5</u>
Net Assets					
Balance, June 30, 2022, Unaudited Actuals	\$ 8,997,268	\$ 3,510,735	\$ 2,191,291	\$ 1,267,472	\$ 3,511,630
Increase in Receivables	<u>531,208</u>	<u>294,307</u>	<u>455,303</u>	<u>81,544</u>	<u>182,972</u>
Balance, June 30, 2022, Audited Financial Statements	<u><u>\$ 9,528,476</u></u>	<u><u>\$ 3,805,042</u></u>	<u><u>\$ 2,646,594</u></u>	<u><u>\$ 1,349,016</u></u>	<u><u>\$ 3,694,602</u></u>
	<u>MSA 6</u>	<u>MSA 7</u>	<u>MSA Bell</u>	<u>MSA Santa Ana</u>	<u>MSA San Diego</u>
Net Assets					
Balance, June 30, 2022, Unaudited Actuals	\$ 2,417,956	\$ 2,503,949	\$ 6,211,609	\$ 9,343,756	\$ 1,299,479
Increase in Receivables	<u>22,165</u>	<u>110,699</u>	<u>221,235</u>	<u>169,794</u>	<u>69,631</u>
Balance, June 30, 2022, Audited Financial Statements	<u><u>\$ 2,440,121</u></u>	<u><u>\$ 2,614,648</u></u>	<u><u>\$ 6,432,844</u></u>	<u><u>\$ 9,513,550</u></u>	<u><u>\$ 1,369,110</u></u>

Magnolia Educational & Research Foundation
Consolidating Statement of Financial Position
June 30, 2022 and 2021

	MERF	MSA	MSA 2
Assets			
Current assets			
Cash and cash equivalents	\$ 3,494,526	\$ 4,691,999	\$ 3,159,968
Receivables	-	2,575,616	1,569,512
Intra-entity receivable	734,106	685,023	133,999
Prepaid expenses	18,355	5,244	1,635
Total current assets	<u>4,246,987</u>	<u>7,957,882</u>	<u>4,865,114</u>
Non-current assets			
Security deposit	100,000	-	-
Capital contribution	-	161,923	-
Restricted cash	-	-	-
Property and equipment, net	14,041	3,921,065	293,058
Total non-current assets	<u>114,041</u>	<u>4,082,988</u>	<u>293,058</u>
Total assets	<u>\$ 4,361,028</u>	<u>\$ 12,040,870</u>	<u>\$ 5,158,172</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 404,868	\$ 1,073,527	\$ 751,807
Accrued compensated absences	-	84,711	104,343
Interest payable	-	-	-
Refundable advance	-	632,304	427,830
Refundable advance	-	-	-
Refundable advance - Paycheck Protection Program (PPP)	-	-	-
Intra-entity payable	1,565,297	721,852	69,150
Current portion of notes payable	-	-	-
Current portion of bonds payable	-	-	-
Current portion of revolving loan	-	-	-
Total current liabilities	<u>1,970,165</u>	<u>2,512,394</u>	<u>1,353,130</u>
Long-term liabilities			
Notes payable, less current portion	-	-	-
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium	-	-	-
Revolving loan, less current portion	-	-	-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,970,165</u>	<u>2,512,394</u>	<u>1,353,130</u>
Net Assets			
Without donor restrictions	<u>2,390,863</u>	<u>9,528,476</u>	<u>3,805,042</u>
Total liabilities and net assets	<u>\$ 4,361,028</u>	<u>\$ 12,040,870</u>	<u>\$ 5,158,172</u>

Magnolia Educational & Research Foundation
Consolidating Statement of Financial Position
June 30, 2022 and 2021

	<u>MSA 3</u>	<u>MSA 4</u>	<u>MSA 5</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 1,037,387	\$ 1,105,035	\$ 2,309,363
Receivables	2,372,118	626,975	832,022
Intra-entity receivable	142,754	58,001	848,204
Prepaid expenses	808	644	2,874
Total current assets	<u>3,553,067</u>	<u>1,790,655</u>	<u>3,992,463</u>
Non-current assets			
Security deposit	-	-	-
Capital contribution	-	-	-
Restricted cash	-	-	-
Property and equipment, net	252,602	84,691	537,985
Total non-current assets	<u>252,602</u>	<u>84,691</u>	<u>537,985</u>
Total assets	<u>\$ 3,805,669</u>	<u>\$ 1,875,346</u>	<u>\$ 4,530,448</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 796,455	\$ 365,475	\$ 471,318
Accrued compensated absences	126,178	36,273	36,204
Interest payable	-	-	-
Refundable advance	211,700	119,141	313,603
Refundable advance	-	-	-
Refundable advance - Paycheck Protection Program (PPP)	-	-	-
Intra-entity payable	24,742	5,441	14,721
Current portion of notes payable	-	-	-
Current portion of bonds payable	-	-	-
Current portion of revolving loan	-	-	-
Total current liabilities	<u>1,159,075</u>	<u>526,330</u>	<u>835,846</u>
Long-term liabilities			
Notes payable, less current portion	-	-	-
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium	-	-	-
Revolving loan, less current portion	-	-	-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,159,075</u>	<u>526,330</u>	<u>835,846</u>
Net Assets			
Without donor restrictions	<u>2,646,594</u>	<u>1,349,016</u>	<u>3,694,602</u>
Total liabilities and net assets	<u>\$ 3,805,669</u>	<u>\$ 1,875,346</u>	<u>\$ 4,530,448</u>

Magnolia Educational & Research Foundation
Consolidating Statement of Financial Position
June 30, 2022 and 2021

	MSA 6	MSA 7	MSA Bell
Assets			
Current assets			
Cash and cash equivalents	\$ 2,434,523	\$ 1,783,300	\$ 3,937,972
Receivables	399,844	1,043,304	1,594,157
Intra-entity receivable	23,610	35,474	1,497,727
Prepaid expenses	521	26,215	274
Total current assets	<u>2,858,498</u>	<u>2,888,293</u>	<u>7,030,130</u>
Non-current assets			
Security deposit	10,000	-	-
Capital contribution	-	-	-
Restricted cash	-	-	-
Property and equipment, net	54,069	554,605	387,292
Total non-current assets	<u>64,069</u>	<u>554,605</u>	<u>387,292</u>
Total assets	<u>\$ 2,922,567</u>	<u>\$ 3,442,898</u>	<u>\$ 7,417,422</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 330,727	\$ 301,114	\$ 585,894
Accrued compensated absences	30,082	31,833	87,137
Interest payable	-	-	-
Refundable advance	106,579	477,944	283,678
Refundable advance	-	-	-
Refundable advance - Paycheck Protection Program (PPP)	-	-	-
Intra-entity payable	15,058	17,359	27,869
Current portion of notes payable	-	-	-
Current portion of bonds payable	-	-	-
Current portion of revolving loan	-	-	-
Total current liabilities	<u>482,446</u>	<u>828,250</u>	<u>984,578</u>
Long-term liabilities			
Notes payable, less current portion	-	-	-
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium	-	-	-
Revolving loan, less current portion	-	-	-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>482,446</u>	<u>828,250</u>	<u>984,578</u>
Net Assets			
Without donor restrictions	<u>2,440,121</u>	<u>2,614,648</u>	<u>6,432,844</u>
Total liabilities and net assets	<u>\$ 2,922,567</u>	<u>\$ 3,442,898</u>	<u>\$ 7,417,422</u>

Magnolia Educational & Research Foundation
Consolidating Statement of Financial Position
June 30, 2022 and 2021

	MSA Santa Ana	MSA San Diego	MPM Inc. / LLC
Assets			
Current assets			
Cash and cash equivalents	\$ 1,791,037	\$ 1,420,535	\$ 2,231,208
Receivables	1,922,712	780,895	-
Intra-entity receivable	53,101	40,929	-
Prepaid expenses	1,685	1,158	-
Total current assets	<u>3,768,535</u>	<u>2,243,517</u>	<u>2,231,208</u>
Non-current assets			
Security deposit	-	-	-
Capital contribution	75,554	198,191	-
Restricted cash	-	-	2,281,161
Property and equipment, net	19,726,275	251,576	26,122,071
Total non-current assets	<u>19,801,829</u>	<u>449,767</u>	<u>28,403,232</u>
Total assets	<u>\$ 23,570,364</u>	<u>\$ 2,693,284</u>	<u>\$ 30,634,440</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 612,104	\$ 542,069	\$ -
Accrued compensated absences	60,390	40,279	-
Interest payable	50,443	-	-
Refundable advance	729,780	104,273	446,610
Refundable advance	-	-	-
Refundable advance - Paycheck Protection Program (PPP)	-	-	-
Intra-entity payable	1,153,886	637,553	-
Current portion of notes payable	109,583	-	-
Current portion of bonds payable	-	-	720,000
Current portion of revolving loan	242,040	-	-
Total current liabilities	<u>2,958,226</u>	<u>1,324,174</u>	<u>1,166,610</u>
Long-term liabilities			
Notes payable, less current portion	3,774,168	-	-
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium	-	-	27,120,454
Revolving loan, less current portion	7,324,420	-	-
Total long-term liabilities	<u>11,098,588</u>	<u>-</u>	<u>27,120,454</u>
Total liabilities	<u>14,056,814</u>	<u>1,324,174</u>	<u>28,287,064</u>
Net Assets			
Without donor restrictions	<u>9,513,550</u>	<u>1,369,110</u>	<u>2,347,376</u>
Total liabilities and net assets	<u>\$ 23,570,364</u>	<u>\$ 2,693,284</u>	<u>\$ 30,634,440</u>

Magnolia Educational & Research Foundation
Consolidating Statement of Financial Position
June 30, 2022 and 2021

	Eliminations	2022 Consolidated	2021 Consolidated
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ 29,396,853	\$ 22,858,187
Receivables	-	13,717,155	13,703,840
Intra-entity receivable	(4,252,928)	-	-
Prepaid expenses	-	59,413	89,418
Total current assets	<u>(4,252,928)</u>	<u>43,173,421</u>	<u>36,651,445</u>
Non-current assets			
Security deposit	-	110,000	110,000
Capital contribution	(435,668)	-	-
Restricted cash	-	2,281,161	2,282,261
Property and equipment, net	-	52,199,330	52,781,413
Total non-current assets	<u>(435,668)</u>	<u>54,590,491</u>	<u>55,173,674</u>
Total assets	<u>\$ (4,688,596)</u>	<u>\$ 97,763,912</u>	<u>\$ 91,825,119</u>
Liabilities			
Current liabilities			
Accounts payable	\$ -	\$ 6,235,358	\$ 4,756,639
Accrued compensated absences	-	637,430	498,038
Interest payable	-	50,443	52,025
Refundable advance	-	3,853,442	2,562,674
Refundable advance	-	-	-
Refundable advance - Paycheck Protection Program (PPP)	-	-	-
Intra-entity payable	(4,252,928)	-	-
Current portion of notes payable	-	109,583	104,583
Current portion of bonds payable	-	720,000	685,000
Current portion of revolving loan	-	242,040	237,272
Total current liabilities	<u>(4,252,928)</u>	<u>11,848,296</u>	<u>8,896,231</u>
Long-term liabilities			
Notes payable, less current portion	-	3,774,168	3,883,751
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium	-	27,120,454	27,801,561
Revolving loan, less current portion	-	7,324,420	7,566,760
Total long-term liabilities	<u>-</u>	<u>38,219,042</u>	<u>39,252,072</u>
Total liabilities	<u>(4,252,928)</u>	<u>50,067,338</u>	<u>48,148,303</u>
Net Assets			
Without donor restrictions	<u>(435,668)</u>	<u>47,696,574</u>	<u>43,676,816</u>
Total liabilities and net assets	<u>\$ (4,688,596)</u>	<u>\$ 97,763,912</u>	<u>\$ 91,825,119</u>

Magnolia Educational & Research Foundation
Consolidating Statement of Activities
Year Ended June 30, 2022 and 2021

	<u>MERF</u>	<u>MSA</u>	<u>MSA 2</u>
Support and Revenues			
Local Control Funding Formula	\$ -	\$ 9,055,254	\$ 6,044,044
Federal revenue	438,622	1,550,004	1,044,689
Other state revenue	123,328	2,447,489	902,711
PPP loan forgiveness revenue	-	-	-
Local revenues	5,710,685	229,182	4,086
Interest income	-	2,201	-
Rental income	-	-	-
Fundraising revenue	2,303	35,589	27,715
	<u>6,274,938</u>	<u>13,319,719</u>	<u>8,023,245</u>
Total support and revenues			
Expenses			
Program services	1,729,395	7,815,869	4,378,971
Management and general	5,033,976	3,932,459	2,880,804
	<u>6,763,371</u>	<u>11,748,328</u>	<u>7,259,775</u>
Total expenses			
Change in Net Assets before intra-entity transfers	<u>(488,433)</u>	<u>1,571,391</u>	<u>763,470</u>
Intra-Entity Transfers			
Transfer in	25,717	-	-
Transfer out	<u>(104,452)</u>	<u>(44,983)</u>	<u>-</u>
Change in Net Assets	<u>(567,168)</u>	<u>1,526,408</u>	<u>763,470</u>
Net Assets, Beginning of Year	<u>2,958,031</u>	<u>8,002,068</u>	<u>3,041,572</u>
Net Assets, End of Year	<u>\$ 2,390,863</u>	<u>\$ 9,528,476</u>	<u>\$ 3,805,042</u>

Magnolia Educational & Research Foundation
Consolidating Statement of Activities
Year Ended June 30, 2022 and 2021

	<u>MSA 3</u>	<u>MSA 4</u>	<u>MSA 5</u>
Support and Revenues			
Local Control Funding Formula	\$ 4,691,270	\$ 1,397,307	\$ 2,979,425
Federal revenue	2,079,630	703,726	655,207
Other state revenue	1,073,223	398,772	673,429
PPP loan forgiveness revenue	-	-	-
Local revenues	12,285	5,413	17,247
Interest income	-	-	17,440
Rental income	-	-	-
Fundraising revenue	18,187	8,666	3,093
	<u>7,874,595</u>	<u>2,513,884</u>	<u>4,345,841</u>
Total support and revenues			
Expenses			
Program services	4,361,676	1,761,617	2,657,347
Management and general	3,044,651	625,198	1,027,195
	<u>7,406,327</u>	<u>2,386,815</u>	<u>3,684,542</u>
Total expenses			
Change in Net Assets before intra-entity transfers	<u>468,268</u>	<u>127,069</u>	<u>661,299</u>
Intra-Entity Transfers			
Transfer in	-	-	-
Transfer out	-	-	-
	<u>468,268</u>	<u>127,069</u>	<u>661,299</u>
Change in Net Assets			
Net Assets, Beginning of Year	<u>2,178,326</u>	<u>1,221,947</u>	<u>3,033,303</u>
Net Assets, End of Year	<u>\$ 2,646,594</u>	<u>\$ 1,349,016</u>	<u>\$ 3,694,602</u>

Magnolia Educational & Research Foundation
Consolidating Statement of Activities
Year Ended June 30, 2022 and 2021

	<u>MSA 6</u>	<u>MSA 7</u>	<u>MSA Bell</u>
Support and Revenues			
Local Control Funding Formula	\$ 915,069	\$ 3,093,319	\$ 4,271,027
Federal revenue	681,871	786,930	1,684,805
Other state revenue	270,121	894,089	1,000,149
PPP loan forgiveness revenue	-	-	-
Local revenues	15,417	16,042	3,641
Interest income	-	-	8,994
Rental income	-	-	-
Fundraising revenue	3,308	3,348	-
	<u>1,885,786</u>	<u>4,793,728</u>	<u>6,968,616</u>
Total support and revenues			
Expenses			
Program services	1,252,349	2,898,468	3,947,791
Management and general	603,860	1,779,758	2,700,800
	<u>1,856,209</u>	<u>4,678,226</u>	<u>6,648,591</u>
Total expenses			
Change in Net Assets before intra-entity transfers	<u>29,577</u>	<u>115,502</u>	<u>320,025</u>
Intra-Entity Transfers			
Transfer in	-	-	-
Transfer out	-	-	-
	<u>29,577</u>	<u>115,502</u>	<u>320,025</u>
Change in Net Assets			
Net Assets, Beginning of Year	<u>2,410,544</u>	<u>2,499,146</u>	<u>6,112,819</u>
Net Assets, End of Year	<u>\$ 2,440,121</u>	<u>\$ 2,614,648</u>	<u>\$ 6,432,844</u>

Magnolia Educational & Research Foundation
Consolidating Statement of Activities
Year Ended June 30, 2022 and 2021

	MSA Santa Ana	MSA Santa Diego	MPM Inc. / LLC
Support and Revenues			
Local Control Funding Formula	\$ 6,135,458	\$ 3,611,022	\$ -
Federal revenue	2,997,295	699,886	-
Other state revenue	1,156,854	989,981	-
PPP loan forgiveness revenue	-	-	-
Local revenues	34,132	26,285	771
Interest income	3,555	3,010	-
Rental income	-	-	2,306,499
Fundraising revenue	39,397	31,393	-
	<u>10,366,691</u>	<u>5,361,577</u>	<u>2,307,270</u>
Total support and revenues			
Expenses			
Program services	7,056,748	4,041,544	2,477,781
Management and general	2,904,480	1,094,205	9,190
	<u>9,961,228</u>	<u>5,135,749</u>	<u>2,486,971</u>
Total expenses			
Change in Net Assets before intra-entity transfers	<u>405,463</u>	<u>225,828</u>	<u>(179,701)</u>
Intra-Entity Transfers			
Transfer in	-	-	227,431
Transfer out	(1,498)	(76,498)	(25,717)
	<u>403,965</u>	<u>149,330</u>	<u>22,013</u>
Change in Net Assets			
Net Assets, Beginning of Year	<u>9,109,585</u>	<u>1,219,780</u>	<u>2,325,363</u>
Net Assets, End of Year	<u>\$ 9,513,550</u>	<u>\$ 1,369,110</u>	<u>\$ 2,347,376</u>

Magnolia Educational & Research Foundation

Consolidating Statement of Activities
Year Ended June 30, 2022 and 2021

		<u>2022</u>	<u>2021</u>
	<u>Eliminations</u>	<u>Consolidated</u>	<u>Consolidated</u>
Support and Revenues			
Local Control Funding Formula	\$ -	\$ 42,193,195	\$ 41,352,580
Federal revenue	-	13,322,665	7,307,706
Other state revenue	-	9,930,146	9,080,047
PPP loan forgiveness revenue	-	-	5,461,600
Local revenues	(5,497,675)	577,511	373,024
Interest income	-	35,200	34,748
Rental income	(2,306,499)	-	-
Fundraising revenue	-	172,999	-
	<u>(7,804,174)</u>	<u>66,231,716</u>	<u>63,609,705</u>
Expenses			
Program services	-	44,379,556	33,869,275
Management and general	(7,804,174)	17,832,402	16,985,345
	<u>(7,804,174)</u>	<u>62,211,958</u>	<u>50,854,620</u>
Change in Net Assets before intra-entity transfers			
	<u>-</u>	<u>4,019,758</u>	<u>12,755,085</u>
Intra-Entity Transfers			
Transfer in	(253,148)	-	-
Transfer out	253,148	-	-
	<u>-</u>	<u>4,019,758</u>	<u>12,755,085</u>
Change in Net Assets			
	<u>-</u>	<u>4,019,758</u>	<u>12,755,085</u>
Net Assets, Beginning of Year	<u>(435,668)</u>	<u>43,676,816</u>	<u>30,921,731</u>
Net Assets, End of Year	<u>\$ (435,668)</u>	<u>\$ 47,696,574</u>	<u>\$ 43,676,816</u>

Magnolia Educational & Research Foundation
 Foundation Only Comparative Statement of Financial Position
 June 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash	\$ 3,494,526	\$ 2,713,961
Receivables	-	808,476
Intra-entity receivable	734,106	68,571
Prepaid expenses	18,355	17,578
Total current assets	4,246,987	3,608,586
Non-current assets		
Security deposit	100,000	100,000
Property and equipment, net	14,041	14,900
Total non-current assets	114,041	114,900
Total assets	\$ 4,361,028	\$ 3,723,486
Liabilities		
Current liabilities		
Accounts payable	\$ 404,868	\$ 240,309
Intra-entity payable	1,565,297	525,146
Total liabilities	1,970,165	765,455
Net Assets		
Without donor restrictions	2,390,863	2,958,031
Total liabilities and net assets	\$ 4,361,028	\$ 3,723,486

Magnolia Educational & Research Foundation
 Foundation Only Comparative Statement of Activities
 Year Ended June 30, 2022 and 2021

	2022	2021
Support and Revenues		
Other state revenue	\$ 123,328	\$ 268,221
Local revenues	5,710,685	5,743,741
Fundraising revenue	2,303	-
Total support and revenues	6,274,938	6,011,962
Expenses		
Program services	1,729,395	1,378,352
Management and general	5,033,976	3,553,999
Total expenses	6,763,371	4,932,351
Change in Net Assets before intra-entity transfers	(488,433)	1,079,611
Intra-entity transfers		
Transfer in	25,717	152,044
Transfer out	(104,452)	(228,326)
Change in Net Assets	(567,168)	1,003,329
Net Assets, Beginning of Year	2,958,031	1,954,702
Net Assets, End of Year	\$ 2,390,863	\$ 2,958,031

Debt Service Coverage

Net income	\$ 4,019,758
Depreciation and amortization	2,385,186
Management fees (50%)	2,748,838
Rent	1,958,848
Income Available for Coverage	11,112,630
Debt Service	1,958,848
Debt Service Coverage	5.67
Limit	1.10
Compliance	Yes

Consolidated Days Cash on Hand

Total Expenses	\$ 62,211,958
Depreciation and amortization	2,385,186
Cash Expenses	59,826,772
Expense/Day	163,909
Cash	29,396,853
Days Cash on Hand	179
Limit	45
Compliance	Yes

Magnolia Educational & Research Foundation
Consolidating Schedule of Property and Equipment
Year Ended June 30, 2022

	MERF	MSA	MSA 2	MSA 3	MSA 4	MSA 5	MSA 6
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Leasehold improvements	-	3,487,770	-	-	-	-	-
Building	-	226,898	10,061	-	-	-	-
Computer and equipment	134,513	782,975	924,214	617,313	304,072	430,937	263,305
Work in progress	-	192,786	1,573	-	-	368,915	-
Total property and equipment	134,513	4,690,429	935,848	617,313	304,072	799,852	263,305
Less accumulated depreciation	(120,472)	(769,364)	(642,790)	(364,711)	(219,381)	(261,867)	(209,236)
Total	\$ 14,041	\$ 3,921,065	\$ 293,058	\$ 252,602	\$ 84,691	\$ 537,985	\$ 54,069

Magnolia Educational & Research Foundation
Consolidating Schedule of Property and Equipment
Year Ended June 30, 2022

	MSA 7	MSA Bell	MSA Santa Ana	MSA San Diego	MPM Inc. / LLC	2022 Consolidated	2021 Consolidated
Land	\$ -	\$ -	\$ -	\$ -	\$ 2,566,854	\$ 2,566,854	\$ 2,566,854
Leasehold improvements	-	-	58,058	-	-	3,545,828	3,469,347
Building	497,294	-	22,352,893	-	26,189,536	49,276,682	49,271,682
Computer and equipment	228,173	932,750	926,675	770,303	-	6,315,230	5,300,434
Work in progress	71,898	-	33,754	-	-	668,926	990
Total property and equipment	797,365	932,750	23,371,380	770,303	28,756,390	62,373,520	60,609,307
Less accumulated depreciation	(242,760)	(545,458)	(3,645,105)	(518,727)	(2,634,319)	(10,174,190)	(7,827,894)
Total	<u>\$ 554,605</u>	<u>\$ 387,292</u>	<u>\$ 19,726,275</u>	<u>\$ 251,576</u>	<u>\$ 26,122,071</u>	<u>\$ 52,199,330</u>	<u>\$ 52,781,413</u>

Note 1 - Purpose of Supplementary Schedules

Consolidated Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The Organization has not elected to use the ten percent de minimis cost rate.

Local Education Agency Organization Structure

This schedule provides information about the Organization's operations, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the Organization. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students at the Organization.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Organization and whether the Organization complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

The Organization must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets reported on the unaudited actual financial report to the audited financial statements.

Consolidating Statement of Financial Position and Consolidating Statement of Activities

The consolidating statement of financial position and consolidating statement of activities report the activities of the Organization and related entities and are presented on the accrual basis of accounting. Eliminating entries in the consolidating statement of financial position and consolidating statement of activities are for activities between the Organization and related entities.

Foundation Only Comparative Statements

The accompanying foundation only comparative financial statements report the individual program of Magnolia Education & Research Foundation and are presented on the accrual basis of accounting.

Debt Covenants

Some of the Organization's loan agreements are subject to covenant clauses, whereby the Organization is required to meet certain key financial ratios. This schedule provides information related to the debt covenant ratios and related information.

Consolidating Schedule of Property and Equipment

The accompanying consolidating schedule of property and equipment present the comparative balances for Organization and the Subsidiaries property and equipment.



Independent Auditor's Reports
June 30, 2022

**Magnolia Educational &
Research Foundation**



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Governing Board
Magnolia Educational & Research Foundation
Los Angeles, California

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Magnolia Educational & Research Foundation (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated December 14, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Rancho Cucamonga, California
December 14, 2022



Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Governing Board
Magnolia Educational & Research Foundation
Los Angeles, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Magnolia Educational & Research Foundation’s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Organization’s major federal programs for the year ended June 30, 2022. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance

requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 14, 2022



Independent Auditor's Report on State Compliance

Governing Board
Magnolia Educational & Research Foundation
Los Angeles, California

Report on State Compliance

Opinion on State Compliance

We have audited Magnolia Educational & Research Foundation's (the Organization) compliance with the requirements specified in the 2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, applicable to the Organization's state program requirements identified below for the year ended June 30, 2022.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the 2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Our responsibilities under those standards and the 2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the 2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's compliance with the requirements listed in the table below.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed below has occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with compliance requirements as identified in the table below that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the Organization’s compliance with laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratio of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No, See Below
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, See Below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes

	Procedures Performed
Independent Study-Course Based	No, See Below
Immunizations	No, See Below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No, See Below
In Person Instruction Grant	Yes
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	No, See Below
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

Programs listed above for “Local Education Agencies Other Than Charter Schools” are not applicable to charter schools; therefore, we did not perform any related procedures.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

The Organization does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety Program.

The Organization does not offer an Independent Study-Course Based Program; therefore, we did not perform any procedures related to the Independent Study-Course Based Program.

The Organization’s charter schools were not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

We did not perform Career Technical Education Incentive Grant procedures because the Organization did not receive funding for this grant.

ADA was below the threshold required for testing, therefore, we did not perform any procedures related to Determination of Funding for Nonclassroom-Based Instruction.

The purpose of this report on internal control over state compliance is solely to describe the scope of our testing of internal control over state compliance and the results of that testing based on the requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 14, 2022



Schedule of Findings and Questioned Costs
June 30, 2022

Magnolia Educational & Research Foundation

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program: Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing</u>
COVID-19: Emergency Connectivity Fund (ECF)	32.009
COVID-19: Education Stabilization Fund (ESF)	84.425C, 84.425D, 84.425U
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

Internal control over state compliance for programs: Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for programs:	Unmodified

None reported.

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.